

**THE EDUCATIONAL REQUIREMENTS FOR QUALIFICATION
AS CERTIFIED PUBLIC ACCOUNTANT**

**REPORT OF THE
VIRGINIA ADVISORY LEGISLATIVE COUNCIL
To
THE GOVERNOR
And
THE GENERAL ASSEMBLY OF VIRGINIA**



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REPORT OF THE
VIRGINIA ADVISORY LEGISLATIVE COUNCIL

RICHMOND, VIRGINIA, September 29, 1959.

To:

HONORABLE J. LINDSAY ALMOND, JR., *Governor of Virginia*

and

THE GENERAL ASSEMBLY OF VIRGINIA

Several proposals have been made in recent years looking to an increase in the educational requirements imposed on those who seek to take the examination for licensure as certified public accountants, but for a number of reasons no such increases have been provided for. The General Assembly of 1958, desiring that fuller information be made available to it as to whether or not such educational requirements should be increased, adopted House Joint Resolution No. 60, instructing the V. A. L. C. to make such a study. The text of the resolution is as follows:

Directing the Virginia Advisory Legislative Council to study and report upon the statutes relating to the requirements for qualification as certified public accountant.

Whereas, the present statutes relating to educational requirements for certified public accountants were enacted many years ago; and

Whereas, since the enactment of those statutes, the type of work required of a certified public accountant has become vastly more complex; and

Whereas, the work of certified public accountants today is of vital interest to the public since it is relied upon not only by the individuals or businesses for whom the work is done, but, in many cases, by third persons such as bankers, investors, persons extending credit, taxing authorities and others; and

Whereas, a number of other states have enacted laws in recent years to raise the standards of the profession and the failure of Virginia to keep pace may result in the denial by such other states of reciprocity to certified public accountants practicing in Virginia; now, therefore, be it

Resolved by the House of Delegates, the Senate concurring, that the Virginia Advisory Legislative Council is hereby directed to make a study and report upon the statutes relating to the requirements for qualification as a certified public accountant.

The Council shall conclude its study and make its report to the Governor and General Assembly not later than October first, nineteen hundred fifty-nine.

Pursuant to the foregoing resolution, Senator Robert Y. Button was selected as chairman of a Committee to make the initial study and report to the Council. The following were named as members of this Committee: J. A. Leach, Jr., Vice-Chairman, FitzGerald Bemiss, W. Brooks George, Harry G. Green, Lewis H. Hyde, Stewart K. Materne, Robert Musselman, and Julian H. Rutherford, Jr.

The Committee held its first meeting on September 10, 1958. At this meeting, Mr. J. A. Leach, Jr., was elected Vice-Chairman of the Committee. It was determined at this meeting that relevant information on the subject should be gathered and distributed to the members of the Committee. This was done.

When the Committee first faced the problems embodied in House Joint Resolution No. 60 there were these decisions confronting them. First, whether or not any change in the existing law was necessary or desirable. Second, if any change was desirable how should it be instituted. Third, if a change in the requirements is going to be undertaken how far should it go, and over what period of time should it be projected?

The Committee studied the laws relating to the practice of accountancy in other states. It conferred with the members of the State Board of Accountancy, who indicated a need for an increase in educational requirements for CPA's in Virginia.

It was felt that before making any recommendations there should be a public hearing on the subject so that all interested in expressing an opinion on this subject would be afforded the opportunity to do so. Accordingly, a public hearing was held on December 9, 1958. At this hearing representatives of the Virginia Society of Certified Public Accountants presented their views in favor of increased educational requirements including a bill carrying out their ideas. Representatives of the Home Study Council and La Salle Extension University stated that they had no fear of an increase in standards and were generally in accord with the views presented by the Virginia Society of Certified Public Accountants. Representatives of the Virginia Council of Business Schools were also present and suggested caution in any increased requirement. There were other speakers who presented various points of view.

Upon the conclusion of its work, the Committee transmitted its report to the Council. The Council has considered the report and accompanying data at length, together with all statements attached to the report. After due deliberation, the Council now presents its report.

MODERN REQUIREMENTS FOR THE PRACTICE OF ACCOUNTANCY

The laws of Virginia relating to the licensure as a Certified Public Accountant (hereinafter referred to as CPA) were enacted many years ago. At that time the business life of this nation was much simpler and the demands placed upon accountants far less exacting than those of today. The growing complexity of the State and federal tax laws, the growing tendency towards government regulation of business, and recent developments in business activities have all played a part in placing a greater burden of responsibility upon the CPA.

As the business community has become more reliant upon specialists in various fields, business has become more and more dependent upon the CPA. Executives in business require exact and detailed knowledge as to what is going on in their businesses. These men expect CPA's to whom they

turn for advice, to be able to render services relating to various new aspects of business affairs. The young CPA, without the backlog of experience of those already established in the field, must of necessity have had an education which will serve to equip him for the responsibilities imposed upon him.

Many states have found it desirable in recent years to raise the educational requirements for CPA's so as to furnish the public better qualified men. The only requirement of formal education under Virginia law is that the applicant must be a graduate of a four-year high school or have equivalent education through commercial or other experience. The law pertaining to educational requirements has not been changed since 1928. As the law now stands Virginia ranks in the lowest group of states in education required for certification. At the present time eleven states have mandatory educational requirements beyond high school in effect or scheduled to take effect. Twenty-eight states or territories make provision for consideration of education in lieu of experience. Six of the eleven which require education beyond high school provide for crediting education against experience. This makes a total of thirty-four which allow some substitution. Thirteen areas, including Virginia, do not require more than high school education nor do they allow substitution of education for experience. These thirteen states had only 1401 candidates out of 12,277 taking the November 1957 examination so that in terms of number of candidates they represent only about 11% of the total.

There are many well established precedents for increasing educational requirements and it is evident that if Virginia does not upgrade the requirements for certification the end result may be that reciprocity will be denied to Virginia's CPA's thus placing Virginia firms at a great disadvantage in competing with outside accountants and in doing work for firms with multistate operations. Virginia CPA's must be spared the setback which would accompany a breakdown of the system of reciprocity.

RECOMMENDATIONS

Our recommendations are embodied in the attached bill.

Briefly, it seeks to provide, over a ten year period, for educational standards for those seeking admission to licensure in the profession of the CPA which will be on a par with those of any other state, yet at the same time giving protection to those now in the process of training themselves for the profession, and providing for those who now or in the future are unable to secure such education by full time attendance at a college or university.

In detail, the bill provides for the amendment of §§ 54-89 and 54-93 of the Code of Virginia relating to certification requirements for CPA's and when examinations may be waived. Subsection (4) of § 54-89 which deals with the educational requirements would be changed to provide that on and after July 1, 1964, a candidate for CPA must have completed, in addition to high school, 60 semester hours of credit from a college or university accredited by the State Board of Education or in courses approved by the State Board of Accountancy. Three years later this requirement would be moved up to 90 semester hours and three years beyond that to 120. These required semester hours would include courses in accounting, cost accounting, auditing, commercial law and such other courses related to accounting as the Board prescribes by regulation.

The semester hour credits may be received in schools which specialize in business training including business schools and correspondence schools if the courses in which the credits are received are approved by the State Board of Accountancy. It is provided that on application of any business or correspondence school the State Board of Accountancy shall make such an investigation as may be necessary to determine whether the subject matter and instruction in such course or courses are substantially equivalent to comparable courses offered by institutions accredited by the State Board of Education. If the courses are equivalent it will be approved as fulfilling requirements of Subsection (4) of § 54-89. However, the approval may be withdrawn if the course at any time is found to be no longer substantially equivalent.

Provision is made for any person who has not been able to obtain the required semester hours credit in a college, university, business school or correspondence school to meet the requirements of Subsection (4) by completing a special examination successfully. This examination would determine whether or not a person through training, experience, or self-education has acquired education substantially equivalent to that of a person who has met the requirements of Subsection (4) as such requirements exist at the time of his taking the examination.

A grandfather clause is inserted to the effect that any candidate who has taken the examination prior to July 1, 1960, shall be eligible to take future examinations, notwithstanding the increased educational requirements. This is included in Subsection (7).

§ 54-93 has been amended by adding a paragraph which states that "Any person who could otherwise qualify for a certificate of Certified Public Accountant under this section at any time shall remain eligible for such certificate notwithstanding the change in educational requirements in § 54-89." The effect of this section is to protect those qualified under existing laws in other states for reciprocity, under the existing Virginia statutes, from being excluded from practicing in Virginia by reason of the increased educational requirements. Generally speaking this puts CPA's outside of Virginia who are duly authorized to practice in their states in the same position as CPA's in Virginia. That is, we do not wish to require our own CPA's presently licensed to comply with the increased educational requirements. Therefore it would follow that we would not wish to impose the hardship of compliance upon practicing CPA's outside of our State.

A copy of the bill as drafted carrying out these recommendations is included.

CONCLUSION

It is our view that the increased educational standards will work for the benefit of the public, the CPA's as a professional group and the individual CPA. If the bill recommended in this report were to become law Virginia would move from the bottom to the top fifth among the states in the hours of education required.

Careful study was given as to whether it would be wiser to undertake a lesser educational requirement initially, moving to more stringent ones at a later date. It was our general consensus that this would be inadvisable. Once it is assumed that increasing the requirements to 120 semester hours is desirable then, in fairness to those who are planning ahead toward Certified Public Accountancy as a profession we must make clear the direction in which the profession is moving and the intended nature of educa-

tional requirements. The rights and interests of all those who are in the final stages of professional preparation have been adequately safeguarded by the grandfather clause, the gradual plan for instituting these requirements, and the fact that none of them will go into effect until 1964.

ACKNOWLEDGMENTS

The Council wishes to express its appreciation to the members of the Committee and to all others who assisted in connection with this study. We have been greatly aided by the contribution of time and effort made by the members of the Committee and hereby express our indebtedness to them.

Respectfully submitted,

JOHN H. DANIEL, Chairman

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LIST OF JURISDICTIONS REQUIRING EDUCATION BEYOND
HIGH SCHOOL FOR EXAMINATION IN ACCOUNTANCY

STATE	REQUIREMENTS
Arizona	Bachelor's degree with accounting courses after 1/1/65
California	2 years college
Connecticut	Bachelor's degree with accounting courses
Florida	College degree with major in accounting
Hawaii	College graduation after 6/30/60
Illinois	120 semester hours in an approved school including certain accounting courses after 1/1/67
New Jersey	Degree from approved college or school of accounting and business administration
New York	Graduation from college offering approved curriculum in accounting
North Carolina	2 years college with approved course of study in accounting
Tennessee	2 years college with accounting courses, or extension school equivalent
West Virginia	College degree with major in accounting or equivalent major after 6/1/64

A BILL to amend and reenact §§ 54-89 and 54-93 of the Code of Virginia, relating to certification requirements for certified public accountants and when examinations may be waived.

Be it enacted by the General Assembly of Virginia:

1. That §§ 54-89 and 54-93 of the Code of Virginia be amended and re-enacted as follows:

§ 54-89. The certificate of "certified public accountant" shall be granted by the Board to any person *who meets with the requirements of paragraphs (1) - (6) of this section.*

(1) * *He shall be* a citizen of the United States or * *have* duly declared his intention of becoming such citizen, and * *be* domiciled in the State of Virginia, or * *have* a place of business therein at the time of making application.

(2) * *He shall be* over the age of twenty-one years.

(3) * *He shall be* of good moral character.

(4) * *He shall be* a graduate of a high school with a four years' course or *, in the opinion of the Board, * *have* had equivalent education through commercial experience, or otherwise; *provided that on and after July one, nineteen hundred sixty-four he shall be a high school graduate and shall have received sixty semester hours of credit from a college or university accredited by the State Board of Education, or in courses approved by the State Board of Accountancy at any other school, and after July one, nine-*

teen hundred sixty-seven he shall be a high school graduate and have received ninety semester hours of such credit and after July one, nineteen hundred seventy he shall be a high school graduate and have received one hundred twenty semester hours of such credit.

The required semester hours shall include courses in accounting, cost accounting, auditing, commercial law and such other courses related to accounting as the Board shall prescribe by regulation. The required semester hour credits may be received in schools which specialize in business training, including business schools and correspondence schools if the courses in which the credits are received are found by the State Board of Accountancy to be substantially equivalent to those offered by similar institutions accredited by the State Board of Education. On application of any such school, the State Board of Accountancy shall make such investigation as shall be necessary to determine whether the subject matter and instruction in any such course or courses are substantially equivalent to comparable courses offered by institutions accredited by the State Board of Education; and shall approve such course, if equivalent, to fulfill the requirements of this subsection (4) provided that such approval may be withdrawn as to any course if evidence is presented to the Board that such course is no longer substantially equivalent to those offered in accredited institutions.

Provided, that on and after July one, nineteen hundred sixty-four, any person who has not been able to obtain the required semester hours of credit in a college, university, business school or correspondence school, may meet the requirements of this subsection (4) by successfully completing a special examination, given under the direction of the State Board of Accountancy, demonstrating that such person through training, experience or self-education has acquired an education substantially equivalent to that of a person who has met the requirements of this subsection (4), as such requirements exist at the time of taking such examination. The Board shall charge a fee for the taking of this examination not to exceed fifteen dollars.

(5) * *He shall have continuously for at least two years immediately preceding the date of his application been engaged in practice as a public accountant or shall have been employed as a staff accountant of a practicing certified public accountant or public accountant; or * he shall have been actively employed for at least four years preceding the date of his application by the United States Treasury Department as an internal revenue agent; or * he shall have been actively employed for at least four years preceding the date of his application by any federal or state supervisory agency or instrumentality as an auditor or examiner, whose duties entail the audit or verification of accounts and records and the preparation, based thereon, of reports to such agency or instrumentality for the purposes of supervision or regulation; provided, that the experience required in this subsection shall include the preparation of balance sheets and operating statements from general books or, * he shall in the opinion of the Board * have had experience equivalent to that required in the foregoing, and the Board shall recognize that the equivalent experience may be obtained independently of employment with a practicing certified public accountant, public accountant, the United States Treasury Department, or any federal or state supervisory agency or instrumentality, as hereinabove set forth. **

(6) * *He shall have passed examination in theory of accounts, in practical accounting, in auditing, in commercial law as affecting ac-*

countancy, and in such other related subjects as the Board may deem advisable.

No applicant shall be examined in the subjects stated in subsection (6) until the Board shall have been satisfied in respect to the requirements stated in subsection (1)—* (4). * *An applicant who is examined in the subjects specified in subsection (6) * and who receives a satisfactory grade may be granted the certificate of certified public accountant, but not until the practical experience required in subsection (5) shall have been obtained; and any person receiving such certificate shall be known and styled as a "certified public accountant". **

Notwithstanding the foregoing provisions of this section, any candidate who has taken the examination prior to July one, nineteen hundred sixty, shall be eligible to take future examinations.

§ 54-93. The Board may, in its discretion, waive the examination provided for in this chapter, and may issue a certificate of certified public accountant to any person who possesses the other qualifications stated in § 54-89, and who is the holder of a certificate of certified public accountant issued under the laws of any state or territory, or the District of Columbia, which extends similar privileges to certified public accountants of this State, provided the requirements for such certificates in the state or territory or the District of Columbia, which has granted it to the applicant are, in the opinion of the Board, equivalent to those herein required; or who is the holder of a certificate of certified public accountant, or the equivalent thereof, granted under the authority of a foreign nation, provided the requirements for such certificates are, in the opinion of the Board, equivalent to those herein required. *Any person, who could otherwise qualify for a certificate of certified public accountant under this section at any time, shall remain eligible for such certificate notwithstanding any change in the educational requirements set forth in § 54-89.*